

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Fowlerville	County Livingston
Audit Date 6/30/05	Opinion Date 10/6/05	Date Accountant Report Submitted to State: 12/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		ZIP 48823	
Accountant Signature <i>Abraham & Gaffney, P.C. Aaron M. Stone</i>			Date 12/8/05

**Village of Fowlerville
Livingston County, Michigan**

FINANCIAL STATEMENTS

June 30, 2005

Village of Fowlerville
Livingston County, Michigan

June 30, 2005

VILLAGE COUNCIL AND ADMINISTRATION

Mr. Wayne Copeland	President
Mr. Mike Stock	President Pro-tem
Ms. Marjorie Carlon	Council Member
Ms. Rose Pushies	Council Member
Ms. Mary Helfmann	Council Member
Mr. Larry Clark	Council Member
Mr. Douglas Helzerman	Council Member
Mr. David Boehm	Village Manager
Ms. Melissa Keniston	Clerk/Treasurer

Village of Fowlerville

TABLE OF CONTENTS

June 30, 2005

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-x
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9-10
Combining Statement of Net Assets - Component Units	11
Combining Statement of Activities - Component Units	12
Notes to Financial Statements	13-28
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule - Revenues and Other Financing Sources	29
Budgetary Comparison Schedule - Expenditures	30
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	31-32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	33-34
COMPONENT UNIT FUNDS	
DOWNTOWN DEVELOPMENT AUTHORITY	
Balance Sheet	35
Reconciliation of the Balance Sheet to the Statement of Net Assets	36
Statement of Revenues, Expenditures, and Changes in Fund Balances	37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38
LOCAL DEVELOPMENT FINANCE AUTHORITY	
Balance Sheet	39
Reconciliation of the Balance Sheet to the Statement of Net Assets	40
Statement of Revenues, Expenditures, and Changes in Fund Balances	41
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	42

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Village Council
Village of Fowlerville
Fowlerville, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fowlerville's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 6, 2005

Village of Fowlerville Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

The following is a discussion and analysis of the Village of Fowlerville's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2005. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the Village of Fowlerville's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets or the amount assets exceeded liabilities were \$9,728,194 at the close of 2005 (excluding component units).
- Governmental activities net assets were \$2,538,165.
- Business-type activity net assets were \$7,190,029.
- Component unit net assets were \$(1,765,099).

Fund Level:

- At the close of the fiscal year, the Village of Fowlerville's governmental funds reported a combined ending fund balance of \$1,017,867 with \$85,246 being reserved for specific purposes.
- The General Fund's fund balance increased by \$93,744. This increase in fund balance was due to aggressive monitoring of expenditures throughout the fiscal year, an increase in revenues (such as State Shared Revenue) beyond what was initially budgeted, implementation of the Fowlerville Fire Authority at mid-year and expenditures in such areas as Buildings and Ground, General Government, Police and Refuse Collection, being lower than budgeted by some \$135,355.

Capital and Long-term Debt Activities:

- The total long-term debt for the governmental activities of the primary government was \$258,437.
- The total long-term debt for the business-type activities of the primary government was \$60,565.
- The Village of Fowlerville remains well below its authorized legal debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the Village of Fowlerville consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information*, such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds.

Government-wide Financial Statements (Reporting the Village of Fowlerville as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village of Fowlerville as a whole and about its activities. Their purpose is to assist in answering the question, is the Village of Fowlerville, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village of Fowlerville's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village of Fowlerville's financial position is improving or deteriorating.

Village of Fowlerville Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

The Statement of Activities (page 2) presents information showing how the Village of Fowlerville's net assets changed during fiscal year 2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the Village of Fowlerville's basic services are reported under this category. Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the Village of Fowlerville's general government departments such as the police department, the Village Council, public works, the Village's share of fire costs, and recreation programs are reported under these activities. This also includes activities such as the Major and Local street maintenance, the cemetery, and the various refuse services.
- **Business-type Activities** - These activities operate like private businesses. The Village of Fowlerville charges fees to recover the cost of the services provided. The Village of Fowlerville Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Village of Fowlerville's Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the Village of Fowlerville. Organizations included as component units are the Downtown Development Authority and the Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

Fund Financial Statements (Reporting the Village of Fowlerville Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village of Fowlerville's significant (major) funds and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

Village of Fowlerville

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village of Fowlerville uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Motor Pool) as well as enterprise funds such as the Water Fund.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues, or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Fowlerville include the General Fund and the Water & Sewer Funds. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The Village of Fowlerville includes detailed information on its nonmajor funds in other supplementary sections of this report.

The Village of Fowlerville's funds are divided into two categories - governmental and proprietary, and use different accounting approaches:

- **Governmental Funds** - Most of the Village of Fowlerville's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village of Fowlerville's programs. The *General Fund* is a Governmental Fund.
- **Proprietary Funds** - Services for which the Village of Fowlerville charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the Village of Fowlerville's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 13 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together by fund type and are presented in aggregate single columns in the appropriate basic financial statements.

Village of Fowlerville Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville AS A WHOLE

As previously stated, the Village of Fowlerville's combined net assets were \$9,728,194 at the end of this fiscal year's operations. The net assets of the governmental activities were \$2,538,165 and the business-type activities were \$7,190,029.

Net Assets as of June 30, 2005 and 2004

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 1,548,624	\$ 1,272,375	\$ 1,564,039	\$ 1,963,346	\$ 3,112,663	\$ 3,235,721
Capital Assets	<u>1,577,745</u>	<u>2,821,252</u>	<u>5,706,723</u>	<u>5,227,226</u>	<u>7,284,468</u>	<u>8,048,478</u>
Total Assets	<u>\$ 3,126,369</u>	<u>\$ 4,093,627</u>	<u>\$ 7,270,762</u>	<u>\$ 7,190,572</u>	<u>\$10,397,131</u>	<u>\$11,284,199</u>
Current Liabilities	\$ 418,188	\$ 358,568	\$ 36,753	\$ 64,772	\$ 454,941	\$ 423,340
Noncurrent Liabilities	<u>170,016</u>	<u>385,689</u>	<u>43,980</u>	<u>273,257</u>	<u>213,996</u>	<u>658,946</u>
Total Liabilities	<u>\$ 588,204</u>	<u>\$ 744,257</u>	<u>\$ 80,733</u>	<u>\$ 338,029</u>	<u>\$ 668,937</u>	<u>\$ 1,082,286</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ (20,404)	\$ 2,428,462	\$ 5,653,926	\$ 4,907,386	\$ 5,633,522	\$ 7,335,848
Restricted	267,233	228,401	22,131	-	289,364	228,401
Unrestricted	<u>2,291,336</u>	<u>692,507</u>	<u>1,513,972</u>	<u>1,945,157</u>	<u>3,805,308</u>	<u>2,637,664</u>
Total Net Assets	<u>\$ 2,538,165</u>	<u>\$ 3,349,370</u>	<u>\$ 7,190,029</u>	<u>\$ 6,852,543</u>	<u>\$ 9,728,194</u>	<u>\$10,201,913</u>

Village of Fowlerville Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village of Fowlerville's net assets changed during the fiscal year:

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program Revenues						
Charges for						
Services	\$ 210,603	\$ 372,761	\$ 988,219	\$ 732,444	\$ 1,198,822	\$ 1,105,205
Operating Grants						
and Contributions	333,160	330,082	-	-	333,160	330,082
Capital Grants						
and Contributions	557,006	241,546	-	-	557,006	241,546
General Revenues						
Property Taxes	888,381	1,006,040	-	-	888,381	1,006,040
State Shared Rev.	300,048	312,017	-	12,924	300,048	312,017
Investment Earnings	22,584	5,757	32,793	-	55,377	18,681
Miscellaneous	58,809	30,125	-	-	58,809	30,125
Transfers	805	-	(805)	-	-	-
Special Item						
Gain on sale of						
Capital Assets	-	141,954	-	-	-	141,954
Total Revenues	2,371,396	2,440,282	1,020,207	745,368	3,391,603	3,185,650
Expenses						
General Government	421,949	528,638	-	-	421,949	528,638
Public Safety	1,734,836	994,298	-	-	1,734,836	994,298
Public Works	714,949	377,272	-	-	714,949	377,272
Community and						
Economic Develop.	17,356	28,773	-	-	17,356	28,773
Recreation and						
Cultural	51,421	51,325	-	-	51,421	51,325
Other	205,984	153,733	-	-	205,984	153,733
Interest on						
long-term debt	36,106	23,784	-	-	36,106	23,784
Sewer	-	-	290,840	387,832	290,840	387,832
Water	-	-	391,881	389,016	391,881	389,016
Total Expenses	3,182,601	2,157,823	682,721	776,848	3,865,322	2,934,671
Increase (decrease)						
in Net Assets	(811,205)	282,459	337,486	(31,480)	(437,719)	250,979
Net Assets -						
Beginning	3,349,370	3,066,911	6,852,543	6,875,510	10,201,913	9,942,421
Prior Period						
Adjustment	-	-	-	8,513	-	8,513
Net Assets -						
Ending	\$ 2,538,165	\$ 3,349,370	\$ 7,190,029	\$ 6,852,543	\$ 9,728,194	\$10,201,913

Village of Fowlerville Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Governmental Activities:

The result of fiscal year 2005 governmental activity was a decrease of \$811,205 in net assets to \$2,538,165. Of the total governmental activities' net assets, \$(20,404) is invested in capital assets less related debt and \$267,233 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the Village of Fowlerville's government. The balance of \$2,291,336 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories in governmental activities were property taxes at 37%, Capital Grants at 23% and Operating Grants and Contributions at 14%. The Village of Fowlerville levies a property tax millage for general government operations at 8.5048 mills, which is not assigned to any specific service or activity. The Village also levies .4698 mills of special voted millage for mosquito abatement, 2.0409 mills for refuse services, including weekly garbage pick-up, composting, chipping, and leaf pick-up. Lastly, the Village levies 3.4017 mills for street maintenance and construction and .6802 mills for cemetery maintenance.

Expenses:

Public Safety (Police Department and Fire Department) is the largest governmental activity, expending \$1,734,836 of the \$3.2 million total expenses. Public Works is the second largest area expending \$714,949. This activity includes the annual costs for refuse collection, spring clean-up, leaf pick-up, composting activities, brush chipping, mosquito control and drains-at-large maintenance. This budget area also includes any public works capital project within a given fiscal year.

Business-type Activities:

Net assets in the business-type activities increased by \$337,486 during the fiscal year 2005. The majority of this increase was as a result of the purchase of property for a possible water tower site (\$183,358) at Garden Lane and Gregory Road and other miscellaneous capital outlays (\$154,158).

Of the total \$7,190,029 of net assets in the business type activities, \$1,513,972 is reported as unrestricted, and \$5,653,926 is invested in capital assets (net of related debt).

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville MAJOR AND NONMAJOR FUNDS

As the Village of Fowlerville completed fiscal year 2005, its governmental funds reported *combined* fund balances of \$1,017,867. The net changes are summarized in the following chart:

	General Fund	Nonmajor Governmental Funds
Fund Balance 6/30/04	\$ 395,689	\$ 445,839
Fund Balance 6/30/05	\$ 489,433	\$ 528,434
Net Change	\$ 93,744	\$ 82,595

The General Fund balance increased by \$93,744. This increase is reflective of budget management efforts to keep costs across the board lower than projected and revenue received. Costs in excess of budgeted line items were discouraged nonetheless the Village was able to deliver quality services to its residents and not exceed expenditure targets.

Village of Fowlerville

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

General Fund:

The General Fund is the chief operating fund of the Village of Fowlerville. Unless otherwise required by statute, contractual agreement, or Board policy all Village of Fowlerville revenue and expenditures are recorded in the General Fund. As of June 30, 2005, the General Fund reported a fund balance of \$489,433. This amount is an increase of \$93,744 from the fund balance of \$395,689 reported as of June 30, 2004.

The General Fund fiscal year 2005 revenue exceeded expenditures by \$42,354; however, the net other financing sources of the General Fund of \$51,390 increased the fund balance by \$93,744. Most of this amount was due to the sale of cemetery lots, perpetual care charges and smaller transfers into the General Fund from the Enterprise Funds or Street Funds.

General Fund Budgetary Highlights:

The Village of Fowlerville's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues totaled \$1,895,538; \$159,298 above the final amended budget. Although the bottom line actual varied somewhat from the final amended budget, there were some wide variations in individual revenue accounts. The most significant variation was the local intergovernmental revenue, which had a positive variation of \$100,000. This was caused by the unanticipated accounting treatment of additional debt payments made by the County on behalf of the Village. An adjustment was recorded in the general ledger after the end of the fiscal year to reflect additional intergovernmental revenue and additional debt service expenditures for these payments.

The Village of Fowlerville's expenditures totaled \$1,853,184; \$48,394 below the final amended budget. The most significant variation was in the area of debt service expenditures, which occurred for the same reason the local intergovernmental revenue variation occurred as noted above. The debt service expenditures had a negative variation with the final amended budget of \$110,319.

Water & Sewer Funds:

The Water Fund had a small decrease in its net assets of \$23,876. Operating revenues showed a decline of \$12,876, while total operating expenses increased by \$3,341. In 2005 the Water Fund had total operating expenses of \$387,177 and total operating revenues of \$356,853 for an operating loss of \$30,324. The Sewer Fund experienced an increase in net assets totaling \$361,362 in 2005. Operating revenues increased by \$268,651 and operating expenses decreased by \$96,393. The majority of the increase is attributed to increased sewer rates. Fiscal year 2004-2005 was the first full year with the new rates. In 2005, the Sewer Fund had total operating expenses of \$276,231 and total operating revenues of \$631,366 for operating income of \$355,135.

Village of Fowlerville Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2005, the Village of Fowlerville had invested \$1,577,745 and \$5,706,723 (net of accumulated depreciation) for governmental and business-type capital assets (including construction in progress), respectively. Significant additions to the business-type capital assets included construction in progress in the water and sewer system and land purchased for a future well site. Accumulated depreciation was \$1,751,852 for the governmental activities and \$2,349,994 for the business-type activities. Depreciation charges for the fiscal year totaled \$232,717 for the governmental activities and \$174,920 for the business-type activities. For more detailed information related to capital assets, refer to pages 21-23 of the financial statements.

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Land	\$ 149,932	\$ 422,763	\$ 572,695
Land Improvements, net	79,173	-	79,173
Construction in progress	-	512,398	512,398
Buildings, net	613,351	59,679	673,030
Vehicles, net	302,610	45,685	348,295
Furniture/Other, net	151,555	113,318	264,873
Infrastructure, net	281,124	-	281,124
Water System, net	-	1,496,626	1,496,626
Sewer System, net	-	3,056,254	3,056,254
Capital assets, net	<u>\$ 1,577,745</u>	<u>\$ 5,706,723</u>	<u>\$ 7,284,468</u>

Long-term Debt - As of June 30, 2005, the Village of Fowlerville had \$258,437 in bonds, notes, capital leases, and accumulated vacation and sick time outstanding for the governmental activity group. Of this amount, \$132,500 is bonds, \$88,101 is compensated absences, and \$37,836 is leases and notes. This level of net obligation is \$221,476 less than the obligation recorded as of June 30, 2004. This was due to the on-going debt service.

The business-type activities showed total outstanding of \$60,565 as of June 30, 2005. The debt is comprised of a land contract in the amount of \$52,797 and compensated absences of \$7,768. The level of net obligation is reduced due to the debt service of the water and sewer bonds.

Outstanding Debt as of June 30, 2005:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Primary Government				
Governmental Activities				
Bonds	\$ 315,000	\$ -	\$ 182,500	\$ 132,500
Leases Payable	60,516	-	22,680	37,836
Notes Payable	17,274	-	17,274	-0-
Compensated absences	87,123	978	-	88,101
Total Governmental Activities	479,913	978	222,454	258,437
Business Type Activities				
Water and Sewer Bonds	255,000	-	255,000	-0-
Land Contract Payable	64,840	-	12,043	52,797
Compensated absences	5,460	2,308	-	7,768
Total Business Type Activities	325,300	2,308	267,043	60,565
Total Reporting Entity	<u>\$ 805,213</u>	<u>\$ 3,286</u>	<u>\$ 472,223</u>	<u>\$ 319,002</u>

Village of Fowlerville Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Limitations on Debt:

State statute limits the Village of Fowlerville's debt obligations to ten (10) percent of the current state equalized value (SEV). The Village of Fowlerville's SEV, as of June 30, 2005, was \$105,748,030; therefore the Village of Fowlerville's debt limitation was \$10,574,803. The Village of Fowlerville remains well below its legal debt limit.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of Fowlerville.

Sewer rates were increased in 2004 to meet current operating requirements as well as the need to convert the existing sewage lagoons to a mechanical sewage treatment system.

Voter approval of the Fowlerville Fire Authority in 2004 will shift the funding and support of the Village's fire service from General Fund taxes to that of a dedicated millage. This is expected to have a favorable impact on General Fund expenses in future years.

The Livingston County Economic Development Council and the Village of Fowlerville continue to recruit new businesses for the industrial parks and industrial properties in the Village to bring additional family-sustaining jobs to our community.

CONTACTING THE VILLAGE OF FOWLERVILLE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village of Fowlerville's finances and to demonstrate the Village of Fowlerville's accountability for the money it receives. If there are questions about this report or a need for additional information contact the Village Manager's Office at (517) 223-3771.

BASIC FINANCIAL STATEMENTS

Village of Fowlerville

STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,104,926	\$ 736,570	\$ 1,841,496	\$ 216,845
Investments	-	488,455	488,455	-
Receivables	1,939	297,921	299,860	5,800
Prepays	29,904	1,387	31,291	-
Due from other governmental units	419,504	-	419,504	-
Inventory	-	9,926	9,926	-
Interfund balances	(7,649)	7,649	-0-	-
Total current assets	1,548,624	1,541,908	3,090,532	222,645
Noncurrent assets				
Cash and cash equivalent, restricted	-	22,131	22,131	-
Capital assets not being depreciated	149,932	935,161	1,085,093	150,538
Capital assets, net of accumulated depreciated	1,427,813	4,771,562	6,199,375	-
Noncurrent portion of loans receivable	-	-	-0-	36,202
Total noncurrent assets	1,577,745	5,728,854	7,306,599	186,740
TOTAL ASSETS	3,126,369	7,270,762	10,397,131	409,385
LIABILITIES				
Accounts payable	170,437	8,829	179,266	8,263
Accrued wages	28,249	6,335	34,584	-
Other accrued liabilities	128,635	-	128,635	292
Due to other governments - local	-	5,004	5,004	-
Accrued interest payable	2,446	-	2,446	15,929
Current portion of compensated absences	26,201	3,736	29,937	-
Current portion of long-term debt	62,220	12,849	75,069	215,000
Total current liabilities	418,188	36,753	454,941	239,484
Noncurrent liabilities				
Noncurrent portion of compensated absences	61,900	4,032	65,932	-
Noncurrent portion of long-term debt	108,116	39,948	148,064	1,935,000
Total noncurrent liabilities	170,016	43,980	213,996	1,935,000
TOTAL LIABILITIES	588,204	80,733	668,937	2,174,484
NET ASSETS				
Invested in capital assets, net of related debt	(20,404)	5,653,926	5,633,522	(1,144,462)
Restricted for:				
Equipment replacement	-	22,131	22,131	-
Debt service	3,276	-	3,276	-
Streets	263,957	-	263,957	-
Unrestricted	2,291,336	1,513,972	3,805,308	(620,637)
TOTAL NET ASSETS	\$ 2,538,165	\$ 7,190,029	\$ 9,728,194	\$ (1,765,099)

See accompanying notes to financial statements.

Village of Fowlerville

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Component Units
Primary government:							
Governmental activities							
General government	\$ 421,949	\$ 110,076	\$ 71,972	\$ -	\$ (239,901)	\$ -	\$ (239,901)
Public safety	1,734,836	87,175	89,253	7,500	(1,550,908)	-	(1,550,908)
Public works	714,949	13,352	156,833	549,506	4,742	-	4,742
Health and welfare	-	-	7,500	-	7,500	-	7,500
Recreation and cultural	51,421	-	7,602	-	(43,819)	-	(43,819)
Community and economic development	17,356	-	-	-	(17,356)	-	(17,356)
Other	205,984	-	-	-	(205,984)	-	(205,984)
Interest on long-term debt	36,106	-	-	-	(36,106)	-	(36,106)
Total governmental activities	3,182,601	210,603	333,160	557,006	(2,081,832)	-0-	(2,081,832)
Business-type activities:							
Sewer	290,840	631,366	-	-	-	340,526	340,526
Water	391,881	356,853	-	-	-	(35,028)	(35,028)
Total business-type activities	682,721	988,219	-0-	-0-	-0-	305,498	305,498
Total primary government	\$ 3,865,322	\$ 1,198,822	\$ 333,160	\$ 557,006	(2,081,832)	305,498	(1,776,334)
Component units:							
Downtown Development Authority	\$ 304,334	\$ -	\$ -	\$ -	-	-	(304,334)
Local Development Finance Authority	314,257	-	-	-	-	-	(314,257)
Total component units	\$ 618,591	\$ -0-	\$ -0-	\$ -0-	-0-	-0-	(618,591)
General revenues:							
Property taxes					888,381	-	888,381
State shared revenue					300,048	-	300,048
Investment earnings					22,584	32,793	55,377
Miscellaneous					58,809	-	58,809
Transfers					805	(805)	-0-
Total general revenues and transfers					1,270,627	31,988	1,302,615
Change in net assets					(811,205)	337,486	(473,719)
Net assets, beginning of the year					3,349,370	6,852,543	10,201,913
Net assets, end of the year					\$ 2,538,165	\$ 7,190,029	\$ 9,728,194
							\$ (1,765,099)

See accompanying notes to financial statements.

Village of Fowlerville

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 392,364	\$ 493,904	\$ 886,268
Accounts receivable	1,433	253	1,686
Due from other governmental units			
Federal/State	378,444	41,060	419,504
Due from other funds	12,632	7,500	20,132
Prepaid expenditures	27,718	2,186	29,904
TOTAL ASSETS	<u>\$ 812,591</u>	<u>\$ 544,903</u>	<u>\$ 1,357,494</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Account payable	\$ 149,186	\$ 15,435	\$ 164,621
Accrued wages	26,433	1,034	27,467
Other accrued liabilities	128,635	-	128,635
Due to other funds	7,500	-	7,500
Deferred revenue	11,404	-	11,404
TOTAL LIABILITIES	323,158	16,469	339,627
FUND BALANCES			
Reserved for:			
Prepays	27,718	2,186	29,904
Cemetery maintenance	-	21,246	21,246
Debt service	-	5,722	5,722
Capital projects	-	28,374	28,374
Unreserved			
Undesignated, reported in:			
General fund	461,715	-	461,715
Special revenue funds	-	470,906	470,906
TOTAL FUND BALANCES	<u>489,433</u>	<u>528,434</u>	<u>1,017,867</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 812,591</u>	<u>\$ 544,903</u>	<u>\$ 1,357,494</u>

See accompanying notes to financial statements.

Village of Fowlerville

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2005

Total fund balance - governmental funds

\$ 1,017,867

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,329,597	
Accumulated depreciation is	<u>(1,751,852)</u>	
Capital assets, net		1,577,745

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	337,820	
Net capital assets of Internal Service Funds included in total capital assets above	(184,382)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>38,594</u>	
		192,032

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		11,404
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Bonds and capital lease payable	170,336	
Accrued interest payable	2,446	
Compensated absences	<u>88,101</u>	
		<u>(260,883)</u>

Net assets of governmental activities

\$ 2,538,165

See accompanying notes to financial statements.

Village of Fowlerville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 688,856	\$ 199,525	\$ 888,381
Licenses and permits	2,448	-	2,448
Intergovernmental	898,185	204,490	1,102,675
Charges for services	196,396	2,048	198,444
Fines and forfeits	1,900	1,010	2,910
Interest and rents	17,184	8,711	25,895
Other	90,569	9,915	100,484
TOTAL REVENUES	1,895,538	425,699	2,321,237
EXPENDITURES			
Current			
General government	360,821	-	360,821
Public safety	571,973	3,710	575,683
Public works	476,825	152,894	629,719
Recreation and cultural	38,652	-	38,652
Community and economic development	17,356	-	17,356
Other	219,737	-	219,737
Debt service	133,519	72,465	205,984
Capital outlay	34,301	103,230	137,531
TOTAL EXPENDITURES	1,853,184	332,299	2,185,483
EXCESS OF REVENUES OVER EXPENDITURES	42,354	93,400	135,754
OTHER FINANCING SOURCES (USES)			
Sale of cemetery lots	27,125	-	27,125
Perpetual care	12,655	-	12,655
Transfers in	11,610	190,925	202,535
Transfers out	-	(201,730)	(201,730)
TOTAL OTHER FINANCING SOURCES (USES)	51,390	(10,805)	40,585
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	93,744	82,595	176,339
Fund balances, beginning of year	395,689	445,839	841,528
Fund balances, end of year	\$ 489,433	\$ 528,434	\$ 1,017,867

See accompanying notes to financial statements.

Village of Fowlerville

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 176,339

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (232,717)	
Capital outlay	<u>103,808</u>	
Excess of depreciation expense under capital outlay		(128,909)

Net effect of disposal of capital assets		(1,114,598)
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in Net Assets of Internal Service Funds	47,330	
Depreciation expense of Internal Service Funds included in the total above	48,609	
Capital outlay of Internal Service Funds included in the total above	(32,203)	
Change in long-term liabilities of Internal Service Funds included in the totals below	<u>(39,841)</u>	
		23,895

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		9,574
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirement		222,454
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,018	
(Increase) in accrued compensated absences	<u>(978)</u>	
		40

Change in net assets of governmental activities		<u><u>\$ (811,205)</u></u>
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See accompanying notes to financial statements.

Village of Fowlerville
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2005

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 144,176	\$ 592,394	\$ 736,570	\$ 218,658
Investments	488,455	-	488,455	-
Receivables				
Accounts	150,512	85,127	235,639	-
Special assessment	61,953	-	61,953	-
Accrued interest	76	253	329	253
Prepaid expense	514	873	1,387	-
Inventory	-	9,926	9,926	-
Due from other funds	152,016	10,140	162,156	-
Total current assets	997,702	698,713	1,696,415	218,911
Noncurrent assets				
Cash and cash equivalents - restricted	22,131	-	22,131	-
Capital assets, not being depreciated	366,647	568,514	935,161	-
Capital assets, net of accumulated depreciation	3,231,315	1,540,247	4,771,562	184,382
Total noncurrent assets	3,620,093	2,108,761	5,728,854	184,382
TOTAL ASSETS	4,617,795	2,807,474	7,425,269	403,293
LIABILITIES				
Current liabilities				
Accounts payable	1,269	7,560	8,829	5,816
Accrued liabilities	2,792	3,543	6,335	782
Due to other funds	-	154,507	154,507	20,281
Due to other governmental units - local	-	5,004	5,004	-
Current portion of compensated absences	1,868	1,868	3,736	374
Current portion of long-term debt	-	12,849	12,849	8,470
Total current liabilities	5,929	185,331	191,260	35,723
Noncurrent liabilities				
Noncurrent portion of compensated absences	2,016	2,016	4,032	384
Noncurrent portion of long-term debt	-	39,948	39,948	29,366
Total noncurrent liabilities	2,016	41,964	43,980	29,750
TOTAL LIABILITIES	7,945	227,295	235,240	65,473
NET ASSETS				
Investment in capital assets, net of related debt	3,597,962	2,055,964	5,653,926	146,546
Restricted for equipment replacement	22,131	-	22,131	-
Unrestricted	989,757	524,215	1,513,972	191,274
TOTAL NET ASSETS	<u>\$ 4,609,850</u>	<u>\$ 2,580,179</u>	<u>\$ 7,190,029</u>	<u>\$ 337,820</u>

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2005

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
OPERATING REVENUES				
Charges for services	\$ 631,366	\$ 356,853	\$ 988,219	\$ 168,646
OPERATING EXPENSES				
Administrative	61,062	132,690	193,752	85,819
Wastewater operations	114,193	-	114,193	-
Water distribution	-	180,543	180,543	-
Depreciation	100,976	73,944	174,920	48,609
TOTAL OPERATING EXPENSES	276,231	387,177	663,408	134,428
OPERATING INCOME (LOSS)	355,135	(30,324)	324,811	34,218
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of equipment	-	-	-0-	12,322
Interest revenue	21,351	11,442	32,793	3,702
Interest expense and fiscal agent fees	(14,609)	(4,704)	(19,313)	(2,912)
TOTAL NONOPERATING REVENUES (EXPENSES)	6,742	6,738	13,480	13,112
INCOME (LOSS) BEFORE TRANSFER	361,877	(23,586)	338,291	47,330
TRANSFER OUT	(515)	(290)	(805)	-
CHANGE IN NET ASSETS	361,362	(23,876)	337,486	47,330
Net assets, beginning of year	4,248,488	2,604,055	6,852,543	290,490
Net assets, end of year	\$ 4,609,850	\$ 2,580,179	\$ 7,190,029	\$ 337,820

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 492,165	\$ 365,832	\$ 857,997	\$ 169,459
Cash paid to suppliers	(126,249)	(112,234)	(238,483)	(38,012)
Cash paid for employee benefits	(14,843)	(73,853)	(88,696)	(19,077)
Cash paid to employees	(36,958)	(31,208)	(68,166)	(8,058)
NET CASH PROVIDED BY OPERATING ACTIVITIES	314,115	148,537	462,652	104,312
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(515)	(290)	(805)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	(276,475)	(377,942)	(654,417)	(32,203)
Gain on sale of equipment	-	-	-0-	12,322
Principal payments	(251,400)	(15,643)	(267,043)	(39,954)
Interest expense and fees	(14,609)	(4,704)	(19,313)	(2,912)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(542,484)	(398,289)	(940,773)	(62,747)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(488,455)	-	(488,455)	-
Maturity of investments	643,281	-	643,281	-
Interest revenue	21,351	11,442	32,793	3,702
NET CASH PROVIDED BY INVESTING ACTIVITIES	176,177	11,442	187,619	3,702
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(52,707)	(238,600)	(291,307)	45,267
Cash and cash equivalents, beginning of year	219,014	830,994	1,050,008	173,391
Cash and cash equivalents, end of year	<u>\$ 166,307</u>	<u>\$ 592,394</u>	<u>\$ 758,701</u>	<u>\$ 218,658</u>

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2005

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 355,135	\$ (30,324)	\$ 324,811	\$ 34,218
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	100,976	73,944	174,920	48,609
(Increase) decrease in accounts receivable	(96,133)	(30,482)	(126,615)	813
Decrease in special assessment receivable	16,936	-	16,936	-
(Increase) decrease in accrued interest receivable	888	(253)	635	(253)
(Increase) decrease in due from others	(60,892)	39,714	(21,178)	-
(Increase) in prepaid expenses	(514)	(873)	(1,387)	-
Increase in accounts payable	214	5,141	5,355	6
Increase in accrued liabilities	508	1,187	1,695	525
(Decrease) in accrued interest payable	(4,157)	(458)	(4,615)	-
Increase in due to other funds	-	84,783	84,783	20,281
Increase in due to other governmental units - local	-	5,004	5,004	-
Increase in compensated absences	1,154	1,154	2,308	113
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 314,115</u>	<u>\$ 148,537</u>	<u>\$ 462,652</u>	<u>\$ 104,312</u>

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2005

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
ASSETS			
Current assets			
Cash and cash equivalents	\$ 149,423	\$ 67,422	\$ 216,845
Loans receivable	5,800	-	5,800
Total current assets	155,223	67,422	222,645
Noncurrent assets			
Capital assets, not being depreciated	-	150,538	150,538
Noncurrent portion of loans receivable	36,202	-	36,202
Total noncurrent assets	36,202	150,538	186,740
TOTAL ASSETS	191,425	217,960	409,385
LIABILITIES			
Current liabilities			
Accounts payable	8,263	-	8,263
Accrued liabilities	195	97	292
Accrued interest payable	6,570	9,359	15,929
Current portion of long-term debt	55,000	160,000	215,000
Total current liabilities	70,028	169,456	239,484
Noncurrent liabilities			
Noncurrent portion of long-term debt	800,000	1,135,000	1,935,000
TOTAL LIABILITIES	870,028	1,304,456	2,174,484
NET ASSETS			
Invested in capital assets, net of related debt	-	(1,144,462)	(1,144,462)
Unrestricted net assets	(678,603)	57,966	(620,637)
TOTAL NET ASSETS	\$ (678,603)	\$ (1,086,496)	\$ (1,765,099)

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Program Expenses			
Community and economic development	\$ 304,334	\$ 314,257	\$ 618,591
Program Revenues	-	-	-0-
NET PROGRAM EXPENSES	(304,334)	(314,257)	(618,591)
General Revenues			
Property taxes	228,554	558,455	787,009
Interest	1,958	3,241	5,199
TOTAL GENERAL REVENUES	230,512	561,696	792,208
CHANGE IN NET ASSETS	(73,822)	247,439	173,617
Net assets, beginning of the year	(604,781)	(1,333,935)	(1,938,716)
Net assets, end of the year	<u>\$ (678,603)</u>	<u>\$ (1,086,496)</u>	<u>\$ (1,765,099)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Located in Livingston County, Michigan, Fowlerville is incorporated as a general law village in which citizens elect the council members and officers. The Village is not included in any other governmental "reporting entity", as defined by the *Government Accounting Standards Board* (GASB), since council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Village provides the following services, as authorized by its charter, to approximately 2,972 residents: public safety (police and fire), public improvements (streets, sidewalks, sewers, and water system), planning and zoning, recreation and general administrative services. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Fowlerville (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the Village's audit and are not audited separately.

2. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the Village of Fowlerville remains financially accountable for these entities or the nature and significance of the relationship between these entities and the Village of Fowlerville is such that exclusion of these entities would render the financial statements misleading or incomplete.

Downtown Development Authority (DDA) - The Authority is responsible for the management of property tax revenues captured in the DDA district within the Village boundaries. Members of the DDA board are appointed by the Village council and the council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the DDA.

Local Development Finance Authority (LDFA) - The Authority is responsible for the management of property tax revenues captured in the LDFA district in the Village boundaries. Members of the LDFA board are appointed by the Village council and the council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the LDFA.

3. Joint Venture

Fowlerville Area Fire Authority - The Fowlerville Area Fire Authority was created on January 1, 2005 by a joint venture agreement between the Townships of Handy, Iosco, and Conway and the Village of Fowlerville. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. Each Township appoints one (1) member and the Village appoints one (1) member to the Board. The Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

The Village contributed \$8,606 to the Fire Authority for the year ended June 30, 2005.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All activities of the primary government are included. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Sewer Fund is used to account for the operations required to providing sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.
- c. The Water Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Village Manager is required to submit to the Village Council a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through passage of a resolution.
- d. The Village Manager is authorized to transfer budget amounts of \$500 or less between departments within any fund with subsequent Council ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Council. Annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- e. Budgets for the General and Special Revenue Funds are adopted on an activity basis and are consistent with accounting principles generally accepted in the United States of America.
- f. Budgeted amounts are reported as originally adopted or amended by the Village Council during the year.

8. Cash, Cash Equivalents, and Investments

Cash consists of various savings and money market checking accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at market value.

9. Property Tax

The Village of Fowlerville bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Fowlerville on July 1 and December 1 and are payable without penalty through September 15 and February 14, respectively. The July 1 levy is composed of the Village's millage and special assessments. The December 1 levy is composed of county, fire authority, and schools taxes and special assessments. All real property taxes not paid to the Village by March 1 are turned over to the Livingston County Treasurer for collection. The Livingston County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection.

The Village is permitted to levy taxes up to 12.5 mills (\$12.50 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2005, the Village levied 8.5048 mills per \$1,000 of assessed valuation for general governmental services, .6802 for cemetery maintenance, 2.0409 for garbage service, 3.4017 for street lights and .4698 for mosquito control. The total Taxable Value for the 2004 levy for property within the Village was \$70,781,450.

10. Inventories

Inventories in the Enterprise Funds consist of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Compensated Absences

Village employees are granted sick/personal leave in varying amounts. In the event of termination, an employee is paid for portions of accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2005 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

Employees accrue vacation time throughout the year based on prior years service. Any unused vacation time at year end is paid out to employees.

13. Capital Assets

Capital assets include buildings, equipment, vehicles, and infrastructure, and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	10 - 40 years
Water system and improvements	7 - 50 years
Infrastructure	20 - 30 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2005, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Regular checking	\$ 10,791	\$ 192,879
Savings	233,979	234,179
Certificates of deposit	<u>711,088</u>	<u>712,542</u>
	<u>\$ 955,858</u>	<u>\$ 1,139,600</u>

The cash and cash equivalents reported in the basic financial statements include \$25 in imprest cash.

Deposits of the Village are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Village. As of June 30, 2005, the Village accounts were insured by the FDIC for \$300,000, and the amount of \$839,600 was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDDeposits - continued

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of June 30, 2005, the carrying amount and market value for the investment is as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Weighted Average Maturity</u>
Primary Government			
Uncategorized pooled investment funds			
Bank One - Government operating MM fund	\$ 1,374,068	\$ 1,374,068	39 days
Component Units			
Uncategorized pooled investment funds			
Bank One - Government operating MM fund	<u>216,845</u>	<u>216,845</u>	39 days
	<u>\$ 1,590,913</u>	<u>\$ 1,590,913</u>	

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2005, the Government Operating MM Fund is rated AAA by Moody's.

Interest Rate Risk

The Village has not adopted a policy that indicates how the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighed average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Village has not adopted a policy that indicates how the Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Village has not adopted a policy that indicates how the Village will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2005.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,841,496	\$ 216,845	\$ 2,058,341
Cash and cash equivalents - restricted	22,131	-	22,131
Investments	<u>488,455</u>	<u>-</u>	<u>488,455</u>
	<u>\$ 2,352,082</u>	<u>\$ 216,845</u>	<u>\$ 2,568,927</u>

The amounts identified above include Enterprise Fund restricted cash of \$22,131, as of June 30, 2005, to be used to fund Sewer System improvements.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2005:

Due to General Fund from:	
Water Fund	\$ 12,632
Due to Water Fund from:	
Internal service fund	10,140
Due to Sewer Fund from:	
Internal service fund	10,141
Water Fund	<u>141,875</u>
	152,016
Due to nonmajor governmental funds from:	
General Fund	<u>7,500</u>
Total interfund receivables and payables	<u>\$ 182,288</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and component units have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 10,805
Sewer Fund	515
Water Fund	<u>290</u>
	11,610

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE D: INTERFUND TRANSFERS - CONTINUED

Transfer to Nonmajor governmental funds from:	
Nonmajor governmental funds	\$ 190,925
	<u>\$ 202,535</u>

NOTE E: LONG-TERM CONTRACTS RECEIVABLE

The Village has several loans to individuals and businesses made through the Downtown Development Authority. The amounts attributable to these long-term contracts receivable have been recorded in the Downtown Development Authority Special Revenue Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the Village:

Year Ending June 30,	<u>Mortgages Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 5,800	\$ 1,590
2007	4,307	1,433
2008	4,482	1,258
2009	4,663	1,076
2010	4,853	886
2011-2015	<u>17,897</u>	<u>1,669</u>
	<u>\$ 42,002</u>	<u>\$ 7,912</u>

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 149,932	\$ -	\$ -	\$ 149,932
Construction in progress - infrastructure	<u>279,115</u>	<u>-</u>	<u>(279,115)</u>	<u>-</u>
Subtotal	429,047	-0-	(279,115)	149,932
Capital assets being depreciated				
Land improvements	242,549	-	-	242,549
Buildings	957,675	-	(50,500)	907,175
Vehicles	2,528,895	89,805	(1,695,892)	922,808
Equipment and furniture	1,229,252	14,003	(424,166)	819,089
Infrastructure	<u>8,929</u>	<u>279,115</u>	<u>-</u>	<u>288,044</u>
Subtotal	4,967,300	382,923	(2,170,558)	3,179,665

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE F: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities - continued				
Accumulated depreciation				
Land improvements	\$(133,596)	\$(29,780)	\$ -	\$(163,376)
Buildings	(302,002)	(39,490)	47,668	(293,824)
Vehicles	(1,281,755)	(91,119)	752,676	(620,198)
Equipment and furniture	(857,296)	(65,854)	255,616	(667,534)
Infrastructure	(446)	(6,474)	-	(6,920)
Subtotal	(2,575,095)	(232,717)	1,055,960	(1,751,852)
Net capital assets being depreciated	2,392,205	(150,206)	(1,114,598)	1,427,813
Total net capital assets	\$ 2,821,252	\$(150,206)	\$(1,393,713)	\$ 1,577,745

Depreciation expense was charged to the following governmental activities:

General government	\$ 90,163
Public safety	44,555
Public works	85,230
Recreation and cultural	12,769
Total depreciation expense	\$ 232,717

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities				
Capital assets not being depreciated				
Land	\$ 229,405	\$ 193,358	\$ -	\$ 422,763
Construction in progress	77,315	435,083	-	512,398
Subtotal	306,720	628,441	-0-	935,161
Capital assets being depreciated				
Buildings	210,308	-	-	210,308
Machinery and equipment	413,303	2,967	-	416,270
Vehicles	31,040	20,946	-	51,986
Sewer system	4,008,554	-	-	4,008,554
Water system	2,432,375	2,063	-	2,434,438
Subtotal	7,095,580	25,976	-0-	7,121,556
Less accumulated depreciation				
Buildings	(145,747)	(4,882)	-	(150,629)
Machinery and equipment	(270,853)	(32,099)	-	(302,952)
Vehicles	(370)	(5,931)	-	(6,301)
Sewer system	(886,307)	(65,993)	-	(952,300)
Water system	(871,797)	(66,015)	-	(937,812)
Subtotal	(2,175,074)	(174,920)	-0-	(2,349,994)
Net capital assets being depreciated	4,920,506	(148,944)	-0-	4,771,562
Total net capital assets	\$ 5,227,226	\$ 479,497	\$ -0-	\$ 5,706,723

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE F: CAPITAL ASSETS - CONTINUED

Component Unit

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Local Development Finance Authority				
Capital assets not being depreciated				
Construction in progress	\$ -0-	\$ 150,538	\$ -0-	\$ 150,538

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Road Improvement Bonds	\$ 10,000	\$ -	\$ 10,000	\$ -0-	\$ -
Transportation Bonds	100,000	-	30,000	70,000	35,000
Special Assessment Bonds	30,000	-	30,000	-0-	-
Livingston County Drain Bond	175,000	-	112,500	62,500	18,750
Installment Note Payable	17,274	-	17,274	-0-	-
Capital Lease	13,590	-	13,590	-0-	-
Capital Lease	46,926	-	9,090	37,836	8,470
Compensated Absences	87,123	978	-	88,101	26,201
	479,913	978	222,454	258,437	88,421
Business-type Activities					
Sewer Fund					
Sewer Revenue Bonds	245,000	-	245,000	-0-	-
Road Improvement Bonds	6,400	-	6,400	-0-	-
Compensated absences	2,730	1,154	-	3,884	1,868
Water Fund					
Road Improvement Bonds	3,600	-	3,600	-0-	-
Land Contract	64,840	-	12,043	52,797	12,849
Compensated Absences	2,730	1,154	-	3,884	1,868
	325,300	2,308	267,043	60,565	16,585
TOTAL PRIMARY GOVERNMENT	805,213	3,286	489,497	319,002	105,006
COMPONENT UNITS					
Downtown Development Authority					
2002 General Obligation Bonds	905,000	-	50,000	855,000	55,000
Local Development Finance Authority					
2000 Tax Increment Revenue Bonds	80,000	-	80,000	-0-	-
Local Development Bonds - 2001	860,000	-	45,000	815,000	50,000
Local Development Bonds - 1998	580,000	-	100,000	480,000	110,000
	1,520,000	-0-	225,000	1,295,000	160,000
TOTAL COMPONENT UNITS	2,425,000	-0-	275,000	2,150,000	215,000
TOTAL REPORTING ENTITY	\$ 3,230,213	\$ 3,286	\$ 764,497	\$ 2,469,002	\$ 320,006

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

1991 Michigan Transportation Bond issue of \$345,000, due in annual installments of \$25,000 to \$35,000 plus interest through 2006, with interest at 6.80 to 7.00 percent.	\$ 70,000
Livingston County Drain #4 Bond issue of \$312,500, due in annual installments of \$12,500 to \$18,500 plus interest through 2020, with interest at 7.70 percent.	<u>62,500</u>
	<u>\$ 132,500</u>

Municipal Purchase Contracts

The following loans are considered installment purchases under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan Department of Treasury approval:

Land contract of \$99,000 with monthly installments of principal and interest of \$1,325 through 2009, with interest at 6.5 percent.	<u>\$ 52,797</u>
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Capital Lease

The Village has entered into a lease purchase agreement, under act 99 PA of 1933, as amended, to finance the acquisition of Motor Pool equipment. The liability for the Motor Pool equipment is recorded in the government-wide financial statements. This capital lease has been recorded at the present value of the future minimum lease payments as of the date of the inception. This lease qualifies as a capital lease for accounting purposes because substantially all of the benefits and risks inherent in the ownership of the property rest with the Village.

Commitments under this lease agreement provide for the minimum annual payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 8,470	\$ 1,512
2007	8,837	1,145
2008	9,220	762
2009	9,619	363
2010	<u>1,690</u>	<u>29</u>
	<u>\$ 37,836</u>	<u>\$ 3,811</u>

COMPONENT UNITS

General Obligation Bonds

1998 Van Riper Road Extension Bond issue of \$990,000, due in annual installments of \$85,000 to \$130,000 plus interest through 2008, with interest from 6.10 to 6.20 percent.	\$ 480,000
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Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS - CONTINUED

General Obligation Bonds - continued

2001 Garden Lane Extension Bond issue of \$990,000, due in monthly installments of \$45,000 to \$100,000 plus interest through 2016, with interest from 4.00 to 5.00 percent.	\$ 815,000
2002 Development Bond issue of \$990,000, due in monthly installments of \$40,000 to \$90,000 plus interest through 2016, with interest from 4.20 to 5.00 percent.	<u>855,000</u>
	<u>\$ 2,150,000</u>

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick leave. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$87,263 at June 30, 2005. Of this amount, \$7,768 and \$758 are recorded as liabilities within the Enterprise and Internal Service fund types, respectively, in accordance with criteria disclosed in Note A.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

Primary Government

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 53,750	\$ 7,988	\$ 12,849	\$ 3,054
2007	53,750	4,288	13,710	2,193
2008	12,500	1,750	14,628	1,275
2009	<u>12,500</u>	<u>890</u>	<u>11,610</u>	<u>314</u>
	<u>\$ 132,500</u>	<u>\$ 14,916</u>	<u>\$ 52,797</u>	<u>\$ 6,836</u>

Component Units

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 215,000	\$ 101,818
2007	220,000	90,645
2008	235,000	78,829
2009	245,000	66,335
2010	140,000	57,250
2011-2015	815,000	181,514
2016-2020	<u>280,000</u>	<u>13,500</u>
	<u>\$ 2,150,000</u>	<u>\$ 589,891</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the Village's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Village have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2005, the Village incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Debt Service	\$ 23,200	\$ 133,519	\$ 110,319

NOTE I: RETIREMENT PLAN

Plan Description

The Village of Fowlerville approved participation in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Village of Fowlerville. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the Village Council. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2005, the Village of Fowlerville's annual pension cost was zero for the plan and was equal to the Village of Fowlerville's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 2,116,660	\$ 2,238,051	\$ 2,373,181
Actuarial accrued liability (AAL) (entry age)	1,744,163	1,951,683	2,179,046
Unfunded (overfunded) AAL	(372,503)	(286,368)	(194,135)
Funded ratio	121 %	115 %	109 %
Covered payroll	560,289	596,198	638,086
UAAL as a percentage of covered payroll	-0- %	-0- %	-0- %

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE I: RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

	Year Ended June 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ -0-	\$ -0-	\$ -0-
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-0-	-0-	-0-

NOTE J: RISK MANAGEMENT

The Village participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The pool is responsible to pay all claims that are within insured limits. The Village has no responsibility for additional assessments based on the claims as filed against the pool nor do they have any right to dividends.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE K: FUND EQUITY RESERVES

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balances as of June 30, 2005:

Fund Balances

General Fund	
Reserved for prepaids	\$ 27,718
Special Revenue Funds	
Major Street Fund	
Reserved for prepaids	1,093
Local Street Fund	
Reserved for prepaids	<u>1,093</u>
	2,186
Debt Service Funds	
1990 Bond Debt Retirement	
Reserved for debt service	5,701
1991 Transportation Bond Debt	
Reserved for debt service	<u>21</u>
	5,722

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE K: FUND EQUITY RESERVES - CONTINUED

Fund Balances

Capital Project Funds	
Van Riper Road Improvement	
Reserved for capital projects	\$ 28,374
Permanent Fund	
Greenwood Cemetery Fund	
Reserved for cemetery maintenance	<u>21,246</u>
	<u>\$ 85,246</u>

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2005:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Streets	\$ 263,957
Debt service	<u>3,276</u>
	267,233
Business-type activities	
Restricted for	
Equipment replacement	<u>22,131</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 289,364</u>

NOTE M: CONTRACT COMMITMENTS

The Village has entered into various street project contracts related to infrastructure improvements that were not completed at June 30, 2005. The total contractual commitments outstanding at June 30, 2005 totaled \$533,921. The Village will have sufficient Federal, State, and Village contributions available to cover these commitments.

NOTE N: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustment was made during the current period, which was the result of corrections of accounting errors. This adjustment was reported as a change to beginning fund equity. The effect on operations and other affected balances for the current year and prior period are as follows:

	June 30,		
	2005	2004	Description
COMPONENT UNIT			
Downtown Development Authority			
Deferred revenue	\$ -	\$ 37,730	Correct understated deferred
Revenues over (under) expenditures	-	(37,730)	revenue
Fund balance - beginning	(37,730)	-	

REQUIRED SUPPLEMENTARY INFORMATION

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 945,250	\$ 697,262	\$ 688,856	\$ (8,406)
Licenses and permits	17,200	2,800	2,448	(352)
Intergovernmental - Federal/State				
Federal/State	266,370	593,728	633,185	39,457
Local	-	165,000	265,000	100,000
Total intergovernmental	266,370	758,728	898,185	139,457
Charges for services	273,950	177,550	196,396	18,846
Fines and forfeits	2,800	2,300	1,900	(400)
Interest and rents	2,000	2,500	17,184	14,684
Other	37,200	95,100	90,569	(4,531)
TOTAL REVENUES	1,544,770	1,736,240	1,895,538	159,298
OTHER FINANCING SOURCES				
Transfers in				
Local Street	-	11,200	10,805	(395)
Sewer	-	7,400	515	(6,885)
Water	-	4,000	290	(3,710)
Sale of cemetery lots	-	20,900	27,125	6,225
Perpetual care	7,280	10,280	12,655	2,375
TOTAL OTHER FINANCING SOURCES	7,280	53,780	51,390	(2,390)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,552,050</u>	<u>\$ 1,790,020</u>	<u>\$ 1,946,928</u>	<u>\$ 156,908</u>

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
General government				
Legislative	\$ 23,800	\$ 27,100	\$ 24,868	\$ 2,232
Executive	5,500	6,800	9,327	(2,527)
Elections	1,610	930	25	905
Finance and administration	171,900	177,600	170,704	6,896
Cemetery operations	80,040	74,090	67,926	6,164
Village hall and grounds	75,950	80,750	77,756	2,994
Other	12,900	29,980	10,215	19,765
Total general government	371,700	397,250	360,821	36,429
Public Safety				
Police department	478,905	477,530	464,907	12,623
Fire department	219,805	128,645	107,066	21,579
Total public safety	698,710	606,175	571,973	34,202
Public Works				
Refuse collection	122,320	122,120	110,673	11,447
Sanitary landfill	44,850	53,250	43,652	9,598
Drain at large	25,200	25,200	12,500	12,700
Mosquito control	27,340	27,800	27,544	256
Infrastructure	-	282,458	282,456	2
Total public works	219,710	510,828	476,825	34,003
Recreation and cultural				
Recreation	38,700	48,200	38,652	9,548
Community and economic development				
Planning commission	35,450	30,550	17,356	13,194
Capital outlay	25,000	54,825	34,301	20,524
Debt service				
Principal	23,200	23,200	121,610	(98,410)
Interest	-	-	11,909	(11,909)
Total debt service	23,200	23,200	133,519	(110,319)
Other				
Fringe benefits	119,580	230,550	219,737	10,813
Other	20,000	-	-	-0-
Total other	139,580	230,550	219,737	10,813
TOTAL EXPENDITURES	\$ 1,552,050	\$ 1,901,578	\$ 1,853,184	\$ 48,394

OTHER SUPPLEMENTARY INFORMATION

Village of Fowlerville
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2005

	Special		
	Major Street	Local Street	Municipal Street
ASSETS			
Cash and cash equivalents	\$ 33,399	\$ 198,980	\$ 209,857
Accounts receivable	-	-	253
Due from other governmental units			
Federal/State	29,359	11,701	-
Due from other funds	-	-	-
Prepaid expenditures	1,093	1,093	-
TOTAL ASSETS	<u>\$ 63,851</u>	<u>\$ 211,774</u>	<u>\$ 210,110</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 8,984	\$ 1,650	\$ 1,107
Accrued liabilities	677	357	-
TOTAL LIABILITIES	9,661	2,007	1,107
Fund balances			
Reserved for:			
Prepays	1,093	1,093	-
Cemetery maintenance	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	53,097	208,674	209,003
TOTAL FUND BALANCES	<u>54,190</u>	<u>209,767</u>	<u>209,003</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 63,851</u>	<u>\$ 211,774</u>	<u>\$ 210,110</u>

Revenue	Debt Service		Capital Projects	Permanent	Total Nonmajor Governmental Funds
Drug Law Enforcement	1990 Bond Debt Retirement	1991 Transportation Bond Debt	Van Riper Road Improvement	Greenwood Cemetery	
\$ 3,826	\$ 5,701	\$ 21	\$ 28,374	\$ 13,746	\$ 493,904
-	-	-	-	-	253
-	-	-	-	-	41,060
-	-	-	-	7,500	7,500
-	-	-	-	-	2,186
<u>\$ 3,826</u>	<u>\$ 5,701</u>	<u>\$ 21</u>	<u>\$ 28,374</u>	<u>\$ 21,246</u>	<u>\$ 544,903</u>
\$ 3,694	\$ -	\$ -	\$ -	\$ -	15,435
-	-	-	-	-	1,034
3,694	-0-	-0-	-0-	-0-	16,469
-	-	-	-	-	2,186
-	-	-	-	21,246	21,246
-	5,701	21	-	-	5,722
-	-	-	28,374	-	28,374
132	-	-	-	-	470,906
132	5,701	21	28,374	21,246	528,434
<u>\$ 3,826</u>	<u>\$ 5,701</u>	<u>\$ 21</u>	<u>\$ 28,374</u>	<u>\$ 21,246</u>	<u>\$ 544,903</u>

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	Special		
	Major Street	Local Street	Municipal Street
REVENUES			
Taxes	\$ -	\$ -	\$ 199,525
Intergovernmental			
Federal/State	156,833	47,657	-
Charges for services	-	-	2,048
Fines and forfeits	-	-	-
Interest and rents	979	276	6,114
Other	-	-	-
TOTAL REVENUES	157,812	47,933	207,687
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	86,385	52,420	14,089
Capital outlay	103,230	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	189,615	52,420	14,089
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,803)	(4,487)	193,598
OTHER FINANCING SOURCES (USES)			
Transfers in	-	154,450	-
Transfers out	(36,475)	(10,805)	(154,450)
TOTAL OTHER FINANCING SOURCES (USES)	(36,475)	143,645	(154,450)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(68,278)	139,158	39,148
Fund balances, beginning of year	122,468	70,609	169,855
Fund balances, end of year	\$ 54,190	\$ 209,767	\$ 209,003

Revenue	Debt Service		Capital Projects	Permanent	Total Nonmajor Governmental Funds
Drug Law Enforcement	1990 Bond Debt Retirement	1991 Transportation Bond Debt	Van Riper Road Improvement	Greenwood Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,525
-	-	-	-	-	204,490
-	-	-	-	-	2,048
1,010	-	-	-	-	1,010
61	508	1	524	248	8,711
-	2,415	-	-	7,500	9,915
1,071	2,923	1	524	7,748	425,699
3,710	-	-	-	-	3,710
-	-	-	-	-	152,894
-	-	-	-	-	103,230
-	32,490	39,975	-	-	72,465
3,710	32,490	39,975	-0-	-0-	332,299
(2,639)	(29,567)	(39,974)	524	7,748	93,400
-	-	36,475	-	-	190,925
-	-	-	-	-	(201,730)
-0-	-0-	36,475	-0-	-0-	(10,805)
(2,639)	(29,567)	(3,499)	524	7,748	82,595
2,771	35,268	3,520	27,850	13,498	445,839
\$ 132	\$ 5,701	\$ 21	\$ 28,374	\$ 21,246	\$ 528,434

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2005

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 149,423
Loans receivable	<u>42,002</u>
TOTAL ASSETS	<u><u>\$ 191,425</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 8,263
Accrued wages	181
Other accrued liabilities	14
Deferred revenue	<u>37,730</u>
Total liabilities	46,188
FUND BALANCE	
Unreserved - undesignated	<u>145,237</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 191,425</u></u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2005

Total fund balance - governmental fund \$ 145,237

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue 37,730

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	\$ 855,000	
Accrued interest payable	<u>6,570</u>	
		<u>(861,570)</u>

Net assets of governmental activities \$ (678,603)

Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2005

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 228,554
Interest	<u>1,958</u>
TOTAL REVENUES	230,512
EXPENDITURES	
Community and economic development	
Salaries	\$ 2,673
Fringe benefits	1,060
Contracted services	45,786
Supplies	7,880
Printing and publishing	201
Repairs and maintenance	(335)
Bad debt	15,451
Miscellaneous	10,012
Capital outlay	181,236
Debt service	<u>90,720</u>
TOTAL EXPENDITURES	<u>354,684</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(124,172)
Fund balance, beginning of year	307,139
Prior period adjustment	<u>(37,730)</u>
Fund balance, end of year	<u><u>\$ 145,237</u></u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2005

Net change in fund balance - governmental fund	\$ (124,172)
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	50,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>350</u>
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Change in net assets of governmental activities	<u><u>\$ (73,822)</u></u>
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Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2005

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	<u>\$ 67,422</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Current liabilities	
Accrued wages	\$ 90
Other accrued liabilities	<u>7</u>
TOTAL LIABILITIES	97
FUND BALANCE	
Unreserved - undesignated	<u>67,325</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 67,422</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2005

Total fund balance - governmental fund **\$ 67,325**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is 150,538

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	\$ 1,295,000	
Accrued interest payable	<u>9,359</u>	
		<u>(1,304,359)</u>

Net assets of governmental activities **\$ (1,086,496)**

Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2005

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 558,455
Interest	<u>3,241</u>
TOTAL REVENUES	561,696
EXPENDITURES	
Community and economic development	
Salaries	2,215
Fringe benefits	418
Contracted services	17,167
Printing and publishing	652
Payments to primary government	220,822
Debt service	299,483
Capital outlay	<u>150,538</u>
TOTAL EXPENDITURES	<u>691,295</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(129,599)
Fund balance, beginning of year	<u>196,924</u>
Fund balance, end of year	<u><u>\$ 67,325</u></u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2005

Net change in fund balances - total governmental funds **\$ (129,599)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	150,538
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	225,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>1,500</u>
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Change in net assets of governmental activities	<u><u>\$ 247,439</u></u>
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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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MANAGEMENT LETTER

To the Honorable President and
Members of the Village Council
Village of Fowlerville
Fowlerville, Michigan

As you know, we have recently completed our audit of the records of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The Village should ensure that timely deposits are made and that receipts are kept.

During our testing of the Police Department's receipting process, we noted three (3) instances where receipts were missing. We also noted that the Police Department did not deposit receipts on a frequent and regular basis.

We suggest the Village ensure that all receipts are kept in a receipt book and suggest that the Village make deposits at least once a week to strengthen and improve internal control.

2. The Village should ensure that utility billing receipts, aging reports, and documentation supporting billing rates are retained and better organized.

During our testing of a sample of utility billings, we noted the following:

- a. Thirteen (13) receipts of fifteen (15) selected for testing could not be located.
- b. Aging receivable reports could not be located or printed from the computer system.
- c. Documentation supporting billing rates applied earlier in the fiscal year could not be located.

We suggest the Village develop and implement a record keeping system whereby receipts and aging reports to evidence the amount of utility billings are retained and readily available for audit. Furthermore, billing rates should be preserved in hard copy form when they are updated in the system in order to substantiate that appropriate billing rates were applied throughout the year.

3. The Council should amend the Village's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the Village has not amended their investment policy to address the reporting requirements of GASB Statement No. 40.

Deposit and investment resources often represent significant assets of the Village's governmental funds. These resources are necessary for the delivery of the Village's services and programs. Effective for the year ended June 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Village's ability to provide services and meet its obligations as they become due.

We suggest the Council review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the Village's financial statements by GASB Statement No. 40.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated October 6, 2005.

This report is intended solely for the information of management and the President and Members of the Village Council of the Village of Fowlerville and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 6, 2005